

RESOLUTION

NO. R-18-475

CITY HALL: October 31, 2018

BY: COUNCILMEMBERS ^{ghw}MORENO, WILLIAMS AND BROSSETT

**IN RE: DIRECTING ENTERGY NEW ORLEANS, INC. TO INVESTIGATE AND
REMEDiate ELECTRIC SERVICE DISRUPTIONS AND COMPLAINTS AND TO
ESTABLISH MINIMUM ELECTRIC RELIABILITY PERFORMANCE STANDARDS
AND FINANCIAL PENALTY MECHANISMS**

DOCKET NO. UD-17-04

**RESOLUTION INITIATING A PRUDENCE INVESTIGATION REGARDING
ENTERGY NEW ORLEANS, LLC ELECTRIC SERVICE DISRUPTIONS AND
COMPLAINTS**

WHEREAS, pursuant to the Constitution of the State of Louisiana and the Home Rule Charter of the City of New Orleans ("Charter"), the Council of the City of New Orleans ("Council") is the governmental body with the power of supervision, regulation, and control over public utilities providing service within the City of New Orleans; and

WHEREAS, Entergy New Orleans, LLC ("ENO" or "Company") provides electric service within the City of New Orleans; and

WHEREAS, on June 8, 2017, Councilmember Jared Brossett sent a letter to ENO noting the Councilmember's concerns regarding ongoing customer complaints related to outages and reliability issues "during what appears to be normal electric system operations and during what I would describe as lesser storm events." The letter directed ENO to provide detailed information explaining the specific problems and causes of the outages for the past 12 months, in addition to other specific information; and

WHEREAS, at the June 28, 2017, Council Utility Cable Telecommunications and Technology Committee ("UCTTC") meeting, ENO made a presentation, which provided high

level information regarding ENO's reliability performance, outage causes and ENO's current reliability programs. At that meeting, the UCTTC strongly voiced its concerns regarding ENO's reliability issues, and posed numerous questions to ENO concerning such issues; and

WHEREAS, on July 10, 2017, ENO responded to Councilman Brossett's letter, provided detailed information on its outages occurring for the 12-month period of June 1, 2016 through May 31, 2017 period. ENO also provided statistical information regarding its 2017 System Average Interruption Frequency Index ("SAIFI") and System Average Interruption Duration Index ("SAIDI") and the prevailing weather conditions for ENO's entire distribution system for the same time period; and

WHEREAS, on August 10, 2017, the Council adopted Resolution No. R-17-427 establishing Docket No. UD-17-04, for the Council's investigation into outages, and reliability issues in Orleans Parish in general, ENO's level of distribution Operations & Management ("O&M") staffing and scheduling, and to consider the establishment of minimum reliability performance standards for all of the utilities under the Council's jurisdiction including the establishment of financial penalty mechanisms for failure to meet such minimum reliability performance standards as established by the Council in this docket; and

WHEREAS, since the Council's adoption of Resolution No. R-17-427, numerous distribution outages through ENO's system have continued to occur with great frequency, and the Council has received numerous customer complaints regarding the occurrence of such outages, especially related to equipment failures during normal clear weather conditions; and

WHEREAS, the Council remains increasingly concerned about the continuation of ENO's pattern of frequent large-scale distribution outages and customer service interruptions; and

WHEREAS, amongst other things, Resolution No. R-17-427 directed ENO to provide the Council with its formal plans, budgets, and schedules for improving the reliability performance of its distribution system, and recommended minimum “SAIFI” and “SAIDI” standards to measure the reliability performance of its distribution system for evaluation by the Council and recommendation by its Technical Advisors; and

WHEREAS, on November 10, 2017, ENO filed its Reliability Plan with the Council, which consists of six major reliability-focused programs: the FOCUS Program, the Backbone Program, the Internal Program, the Pole Program, the Equipment Inspection Program, and the URD/Cable Renewal Program. Each of these programs is generally described and includes the specific feeders targeted for reliability work during 2017 and 2018; and

WHEREAS, the Technical Advisors performed a review of ENO’s Reliability Plan, and found that ENO’s Reliability Plan lacked adequate detail concerning ENO’s proposed projects, schedules, capital versus O&M costs by years, and the location of each proposed project included in its Reliability Plan’s FOCUS, Backbone, Internal, Equipment Inspection, and URD/Cable Renewal Programs; and

WHEREAS, the Technical Advisors reviewed ENO’s Reliability Plan and found that its lack of significant details regarding ENO’s proposed remediation projects, project budgets and schedules thwarts the Council’s ability to perform a thorough and comprehensive review of ENO’s Reliability Plan and to constantly measure ENO’s performance in accomplishing its Reliability Plan as proposed; and

WHEREAS, in Council Docket No. UD-17-04 the parties are currently conducting discovery in an attempt to gather more information regarding ENO’s reliability projects, schedules and spending; and

WHEREAS, in 1998 as a result of numerous customer complaints to the Council regarding ENO's service reliability and continuity of service in New Orleans East as well as complaints by residents in other areas of the City resulting in the Council's concerns regarding ENO's reliability, on July 16, 1998, the Council adopted Resolution No. R-98-460, which directed ENO to file a New Orleans East Service Remediation Plan including:

1. A substantive evaluation and analysis of the root causes of the problems;
2. ENO's proposed technical and engineering approach to the remediation of the problems;
3. A time schedule for completion, including proposed construction budget and expenditures by fiscal quarter;
4. Priority and interim projects to quickly alleviate the most severe customer service quality problems; and
5. Such other analysis and information as may be required by the Council and its Advisors to evaluate the effectiveness of ENO's proposed plans; and

WHEREAS, on July 31, 1998, as directed by Resolution No. R-98-460, ENO filed its New Orleans East Accelerated Remediation Plan; and

WHEREAS, on January 18, 1999, ENO filed remediation plans for ENO's Uptown Network, Lake Network, and Central Business District Network similar in scope to those contained in ENO's New Orleans East Accelerated Remediation Plan; and

WHEREAS, on January 18, 1999, Entergy Louisiana, Inc. ("ELL") filed its Algiers Service Remediation Plan to improve the reliability of electric service to ELL customers in the City's 15th Ward which was similar to ENO's New Orleans East Accelerated Remediation Plan, as well as ENO's remediation plans for ENO's Uptown Network, Lake Network, and

Central Business District Network; and

WHEREAS, ENO's remediation plans filed in 1998 and 1999 and ELL's Algiers Service Remediation Plan in 1999 covered each of its networks and ranked each of the circuits and networks by SAIFI reliability performance as follows:

- Red, SAIFI > 3.5 (unacceptable)
- Orange, SAIFI 2.5 – 3.4 (unacceptable)
- Yellow, SAIFI 1.1 – 2.4 (acceptable)
- Green, SAIFI \leq 1.0 (superior); and

WHEREAS, ENO's and ELL's remediation plans filed in 1998 and 1999 covering each of its networks provided proposed improvement targets to move its red and orange classified circuits to yellow and green SAIFI performance ranges as a result of completion of proposed remediation projects; and

WHEREAS, in measuring ENO's reported 2017 SAIFI values for all feeders on the distribution system against the SAIFI standards set forth in ENO's remediation plans filed in 1998 and 1999 our Technical Advisors have informed us that the following number of feeders fall within each ranking:

- Red, SAIFI – 19 Feeders
- Orange, SAIFI – 15 Feeders
- Yellow, SAIFI – 45 Feeders
- Green, SAIFI – 121 Feeders; and

WHEREAS, the Technical Advisors have found that the plans contained in ENO's New Orleans East Accelerated Remediation Plan and 1999 remediation plans for its other networks,

as well as ELL's Algiers Service Remediation Plan are vastly superior to ENO's current Reliability Plan filed in Council Docket No. UD-17-04 in that they provide detailed project specifics, budgets and schedules for completion along with circuit and network SAIFI performance measurement and improvement targets upon which ENO's performance in improving its reliability of service as directed by Resolution No. R-17-427 can be clearly evaluated; and

WHEREAS, Resolution No. R-99-433 directed ENO to file with the Council information detailing its proposed specific level of reliability by network for each of its networks as a result of completing its proposed projects; and

WHEREAS, ENO's Reliability Plan filed in Council Docket No. UD-17-04 contained no information upon which the Council can measure any improvement in ENO's reliability performance; and

WHEREAS, in order to insure that ENO carried out its remediation plans to improve its electric service reliability on a timely basis, on July 15, 1999, Council Resolution No. R-99-433 directed ENO to file written progress reports with both the Council Utilities Office ("CURO") and its Advisors on both a monthly and quarterly basis which at a minimum includes the following information:

1. An executive summary describing the overall work accomplished during the reporting period;
2. Identification of individual planned projects;
3. Capital cost and total project budget for each planned project;
4. Estimated and actual start date for each planned project;
5. Cumulative project expenditures and budget variance, and reasons therefore;

6. Percent complete for each planned project at end of reporting period;
7. Actual completion date and scheduled completion date for each planned project;
8. Problems encountered during reporting period and resulting impacts upon ENO's plans, budget, and schedule;
9. Status of overall project schedule and budget in comparison to plan values; and

WHEREAS, Council Resolution No. R-99-433 placed ENO on notice that upon establishing that: (i) ENO's computed SAIFIs fail to meet or exceed the SAIFIs, which ENO specifically proposed to achieve annually in its remediation plans as submitted to the Council and/or (ii) ENO failed to complete those remediation projects specifically proposed in accordance with its plans and prudent utility practice to be completed during the preceding 12-month period, financial penalties were to be imposed, which penalties were to be in an amount the Council deemed sufficient to constitute a reasonable penalty and which assure the ultimate achievement by ENO of a reliable electric distribution system; and

WHEREAS, Council Resolution No. R-99-433 also advised ENO that the assessment of financial penalties were to be determined and implemented annually based upon a Council finding that the reliability achieved annually by ENO in each of its networks, as defined in ENO's remediation plans, failed to achieve the level of reliability proposed by ENO, and ENO's reliability performance for each of its networks were to be measured by comparing ENO's actual SAIFIs achieved each year in comparison to those SAIFIs projected to be achieved by ENO in its network remediation plans; and

WHEREAS, numerous state utility regulatory commissions have established minimum reliability performance standards for the utilities in their respective jurisdictions in governing what constitutes acceptable and reliable electric service; and

WHEREAS, in conjunction with establishing minimum reliability performance standards for the utilities under their jurisdiction, a significant number of state utility regulatory commissions have also established financial penalty mechanisms for failure to meet the reliability performance standards so established; and

WHEREAS, numerous state utility regulatory commissions have adopted reliability performance standards measuring the annual SAIFI, SAIDI, and Customer Average Interruption Duration Index ("CAIDI") performance for utilities under their respective jurisdictions; and

WHEREAS, ENO's reliability performance should be measured against minimum reliability performance standards that relate to the specific nature of ENO's urban service territory; and

WHEREAS, the Technical Advisors have performed a review of the minimum SAIFI and SAIDI reliability performance standards for predominantly urban electric utilities which have been adopted by retail regulatory commissions around the country, and compared ENO's reported 2017 SAIFI and SAIDI values as a relative measure of ENO's reliability performance to such minimum standards; and

WHEREAS, the Technical Advisors' review showed that ENO's 2017 SAIFI performance indicates that 36 ENO feeders (18%) exceeded the highest SAIFI standard (2.28) adopted by the retail regulatory commissions sampled, and 73 ENO feeders (37%) exceeded the median of the minimum SAIFI standards (1.21); and

WHEREAS, the Technical Advisors' review showed that ENO's 2017 SAIDI performance indicates that 29 ENO feeders (15%) exceeded the highest SAIDI standard (4.92) adopted by the retail regulatory commissions sampled, and further 54 ENO feeders (27%)

exceeded the median of the minimum SAIDI standards (2.73); and

WHEREAS, in determining a method of ensuring that ENO provides acceptable levels of reliability to its customers prospectively, it is prudent for the Council to consider the establishment of minimum reliability performance standards for ENO; and

WHEREAS, the establishment of financial penalty mechanisms for failure to meet minimum reliability performance standards as established by the Council will appropriately provide consequences to ENO for noncompliance with such standards; and

WHEREAS, the Council reiterates its intention to establish minimum reliability performance standards and financial penalty mechanisms after receiving all relevant information in connection with this docket; and

WHEREAS, in addition to the establishment of financial penalty mechanisms for failure to meet minimum reliability performance standards, the Council intends to conduct a prudence investigation to determine whether ENO's previous inactions and omissions in mitigating and remediating electric service disruptions and complaints and unacceptable reliability performance should not be presumed imprudent; and

WHEREAS, for nearly two years, the Council has been expressing its discontent with the unacceptable level of outages on ENO's distribution system and the Company's overall poor reliability performance; and

WHEREAS, examples of some of the outages which have occurred in 2017 and 2018 include:

March 15, 2017 – Mid City-Carrolton 14,000 customers affected

June 12, 2017 – Algiers 3,000 customers affected

June 15, 2017 – Algiers 3,000 customers affected

June 21, 2017 – Orleans Parish-wide 4,700 customers affected
August 25, 2017 – Gentilly 7,500 customers affected
January 1, 2018 – Algiers 2,400 customers affected
February 21, 2018 – Mid-City, Navarre, Hollygrove 5,000 customers affected
February 27, 2018 – Mid-City, Treme 4,000 customers affected
March 2, 2018 – Mid-City 11,900 customers affected and LSU Medical
Education Building
March 3, 2018 – Gentilly 432 customers affected
March 4, 2018 – New Orleans Metro Area 2,427 customers affected
May 15, 2018 – Uptown 23,700 customers affected
June 5, 2018 – Uptown 1,000 customers affected
July 2, 2018 – Uptown 2,300 customers affected
September 17, 2018 – Uptown 7,500 customers affected
September 25, 2018 Bywater 2,000 customers affected
September 30, 2018 – Bywater, Lower Ninth Ward 2,000 customers affected, and

WHEREAS, ENO did not initiate an accelerated distribution capital spending program when its reliability performance declined to an unacceptable level several years ago to return its system to acceptable reliability performance; and

WHEREAS, ENO did not investigate or adopt the utilization of best distribution maintenance practices to improve the reliability performance of its distribution system when its reliability performance declined several years ago; and

WHEREAS, during the past several years ENO has not taken proactive measures to mitigate the number and duration of outages occurring through its distribution system; and

WHEREAS, on April 5, 2018, the Council adopted Resolution No. R-18-98 directing ENO to show cause within 30 days why ENO's inaction and omissions in mitigating and remediating electric service disruptions and complaints and its unacceptable reliability performance should not be presumed imprudent. The Council also directed ENO to modify and resubmit its Remediation Plan ("Revised Reliability Plan") filed in Docket No. UD-17-04 including, at a minimum:

- i. A substantive evaluation and analysis of the root causes of ENO's distribution problems;
- ii. ENO's proposed technical and engineering approach to the remediation of its problems;
- iii. A time schedule for completion, including proposed construction budget and expenditures by fiscal quarter;
- iv. Priority and interim projects to quickly alleviate the most severe customer service quality problems; and
- v. Such other analysis and information as may be required by the Council and its Advisors to evaluate the effectiveness of ENO's proposed plans; and

WHEREAS, on April 30, 2018, ENO filed a Motion to Extend All Procedural Schedule Dates By 30 Days so that the Company could prepare a detailed and fully responsive Revised Reliability Plan as directed by Resolution No. R-18-98 and ENO's motion was granted by an order of the Hearing Officer dated May 7, 2018; and

WHEREAS, on July 5, 2018, pursuant to Resolution No. R-18-98, ENO filed its Revised Reliability Plan. The Technical Advisors conducted a preliminary review of ENO's Revised Reliability Plan to determine if it was responsive to the Show Cause ordering

provisions and based upon the Technical Advisors' preliminary review, they found that ENO's Revised Reliability Plan was far superior to ENO's 2017 Reliability Plan; and

WHEREAS, the remaining schedule included deadlines for the Advisors to file comments on ENO's Revised Reliability Plan on September 5, 2018, and for ENO to file responsive comments on October 5, 2018; and

WHEREAS, at the July 19, 2018 UCTTC meeting, the Council expressed serious concern about ENO's inability to answer certain basic questions directed at ENO regarding the status of its distribution equipment and the overall condition of the Company's assets; and

WHEREAS, the Council is concerned that the inability to answer those basic questions may be an indication that ENO has not given the necessary attention to either identifying the causes of the increased level of outages or to identifying the appropriate solutions to improve reliability on its system, or both; and

WHEREAS, prior to the September 5, 2018 deadline for the Advisors' to file their comments, ENO notified the Advisors that it had retained the services of Quanta Technology, LLC ("Quanta") to perform an evaluation of certain aspects of ENO's distribution system as they relate to reliability; and

WHEREAS, ENO has also indicated that Quanta will prepare a report based on its evaluation and ENO has agreed to file Quanta's report in this docket on or before October 31, 2018; and

WHEREAS, our Advisors believed that it would be more efficient to wait until ENO files Quanta's reliability report to file comments in this docket so that our Advisors can address ENO's Revised Reliability Plan and Quanta's report in the same filing; and

WHEREAS, on September 5, 2018, the Advisors filed an Unopposed Motion to Amend Procedural Schedule, which was granted by the Hearing Officer on September 10, 2018, requesting that the schedule be suspended, indicating that Quanta's report shall be filed no later than October 31, 2018, and requesting that the parties be directed to convene a status conference call on or before November 9, 2018, for the purpose of establishing additional dates in the schedule that would allow for ENO, the Advisors, and Intervenors to submit comments on Quanta's report; **NOW THEREFORE**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NEW ORLEANS
THAT:

1. The Council hereby establishes a prudence investigation to determine whether ENO's inaction and omissions in mitigating and remediating electric service disruptions and complaints and addressing the performance of the distribution system as discussed herein were imprudent and whether financial and/or other penalties should be imposed by the Council.
2. The Honorable Jeffery Gulin has been appointed the Hearing Officer in this docket to preside over the proceeding and rule on procedural disputes, including motions and discovery, and shall, for good cause shown and as required by the circumstance of the proceeding, have the authority to change or amend the procedural dates set forth herein as they pertain to this prudence investigation.
3. A discovery period in the instant docket has commenced the rules and deadlines established in Resolution No. R-18-98 shall also apply to this prudence investigation.

**BE IT FURTHER RESOLVED BY THE COUNCIL OF THE CITY OF
NEW ORLEANS THAT:**

4. On January 10, 2019, ENO is directed to file with the Clerk of the Council and serve on all parties on the Official Service List of this such testimony, evaluations, analyses, workpapers, and other information, as the Company believes will be of assistance to the Council in this prudence investigation.
5. On March 12, 2019, Intervenor, if they so choose, shall file their testimony responsive to ENO's filing. The Council's Advisors shall also file their response to ENO's filing on March 12, 2019.
6. ENO shall file its rebuttal testimony on April 9, 2019.
7. The Hearing Officer shall certify the record to the Council for consideration on April 26, 2019.

**THE FOREGOING RESOLUTION WAS READ IN FULL, THE ROLL WAS
CALLED ON THE ADOPTION THEREOF, AND RESULTED AS FOLLOWS:**

YEAS: Banks, Brossett, Giarrusso, Gisleson Palmer, Moreno, Nguyen, Williams - 7

NAYS: 0

ABSENT: 0

AND THE RESOLUTION WAS ADOPTED.

THE FOREGOING IS CERTIFIED
TO BE A TRUE AND CORRECT COPY
Lera W. Johnson
CLERK OF COUNCIL